

The AMERICAN OBSERVER

A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Monroe

VOLUME II, NUMBER 26

WASHINGTON, D. C.

MARCH 15, 1933

All Banks Closed by Presidential Order

Emergency Action Taken to Protect Depositors After Panic Sweeps State After State

GOLD EMBARGO ALSO DECLARED

Temporary Use of Scrip Planned to Permit Carrying on of Business

The major problem confronting President Roosevelt at his accession to the presidency was the banking crisis. As he took the oath of office on March 4, the country was in the grip of a financial panic. Banks in every state had closed their doors. Starting in Michigan where all the banks were closed for several days by an order of the governor, the crisis spread like wildfire from state to state until it encompassed the whole nation. Governors and state legislatures took drastic action to cope with the dangerous situation. Some declared state-wide banking holidays for several days. Others imposed restrictions upon the amount of money that depositors might withdraw. The states which had thus far been able to ward off the onslaught of the crisis were forced to take action on the morning of the inauguration when it was announced that banking holidays had been declared in the states in which the two financial centers of the nation—Chicago and New York—are located.

Roosevelt Acts

That the nation was in the midst of a panic was clearly recognized by the new president as he made his first official declaration to the American people. His inaugural address was apparently rewritten at the last minute to give that hope and assurance which the people so earnestly awaited and needed. "So first of all let me assert my firm belief that the only thing we have to fear is fear itself—nameless, unreasoning, unjustified terror which paralyzes needed efforts to convert retreat into advance," declared the president. And the action which he promised was not long delayed, for within a few hours he had taken steps to meet the emergency that was left on his doorstep. With dramatic suddenness, he called his cabinet together; conferred with his economic advisers and mapped out a plan of attack. Mr. Roosevelt had been in office scarcely twenty-four hours when he issued a proclamation calling the new Congress together March 8 in order that emergency banking legislation might be enacted and, pending such congressional action, he issued another proclamation designed to cope with the immediate situation.

In his second proclamation, issued under authority granted to the president by an act of Congress passed in 1917—the trading with the enemy act,—Mr. Roosevelt declared a nation-wide banking holiday to be effective for four days, from March 6 to 9, both dates inclusive. The proclamation moreover provided for a complete embargo on the exportation of gold and currency from this country during the period of the moratorium; for the issuance of special clearing house certificates, or scrip, to circulate as money; for the suspension of all payments of gold, silver and currency by banks for any pur-

(Concluded on page 8)



TIME TO WATCH FOR THE FIRST ROBIN.

—Brown in N. Y. HERALD-TRIBUNE

All in the Same Boat

It is no mere indulgence in needless optimism which inspires the hope that the banking crisis, inconvenient as it is, may mark the turning point in the long road of depression we have been traveling. States of mind play a large part in determining the course of business, and there is little doubt that sentiment has taken on a tone of firmer confidence. More than that, a saving realization that we are all in the same boat appears to have come. Such a realization we are not likely to feel during a period of plenty. We have not felt it to any considerable extent since the close of the World War. While the land was fairly prosperous each person felt that he could save himself. The prevailing philosophy sanctioned the effort of each individual to get ahead in a material way. Attention everywhere was drawn to this struggle of individuals to take care of themselves. Little thought was given to the government. Business men looked upon governmental activity as a nuisance to be avoided. The ordinary citizen gave it scant attention. Voters did not see fit to go to the polls. Citizens everywhere neglected civic duties. Then came the years of discouragement and calamity. Business men found themselves unable to get along by their own efforts. Plain citizens were helpless to provide for themselves and their families. Yet the lesson was not easily learned. The notion that one might save himself regardless of the fate of others persisted. When the financial structure of the nation appeared to totter men and women by the thousands turned to hoarding. They acted in the spirit of the man who, with the ship on fire, brushes his fellow passengers aside in a mad rush for a life boat. But they found that they could not ruin the country's financial institutions and be safe themselves. They found hoarding condemned and outlawed. There was a moment of confusion. Then came a clear note of leadership. The head of our government spoke. He declared that the financial institutions of the nation should be conserved. He offered to lead the whole people to a realm of safety—of safety for all. And there followed a calming of minds and a realization that each could best find his safety through the security of all. There came, so it appears, a very general sensing of the fact that the whole people, acting through their government, might find the way to better conditions. Once that notion is firmly fixed in mind there will be more emphasis upon the necessity of sound social conditions. There will be greater efforts in the interest of good government as the agency through which better social and economic standards for all may be maintained. And then the young citizens in the schools will realize, as they have not realized before, that they can save themselves and their families only by the consistent and unrelenting study and practice of good and competent citizenship—the sure road to security for one and all.

Roosevelt Promises Action at Inaugural

Declares He Will Quickly Propose Progressive Legislation as Means of Coping With Depression

MAY ASK DICTATORIAL POWERS

Will Request Broad Authority if Congress Obstructs Program

At exactly 1:09 p. m., Saturday, March 4, Franklin Delano Roosevelt became the thirty-second president of the United States. It was a tense and dramatic moment in American history. It was a moment which may be compared with the March day in 1861 when Abraham Lincoln accepted the presidency at a time when the nation was on the verge of civil war. The crisis facing President Roosevelt differed from the one which confronted President Lincoln, but no one doubted its gravity and seriousness. After more than three years of demoralizing depression the people were in a state of panic. With few exceptions every bank throughout the country had closed its doors. Fear gripped the hearts of men as the whole nation seemed to be trembling on the brink of immediate and certain financial turmoil.

A Moment of Crisis

Drawn and anxious faces, therefore, were raised as Franklin Delano Roosevelt, the oath of office taken, turned toward his audience prepared to deliver his inaugural address. A solemnity strikingly unusual for such times of ordinary festivity pervaded the atmosphere. Seldom in our history has the fate of the entire people seemed to depend more completely on the words of a single man.

The president began to speak, deliberately, precisely, firmly. He uttered every word with an air of resoluteness and determination intended to inspire hope in the breasts of the people who had placed their faith in him. "This is preëminently the time to speak the truth, the whole truth, frankly and boldly. . . . Only a foolish optimist can deny the dark realities of the moment . . . we must act; we must act quickly. . . . I am prepared under my constitutional duty to recommend the measures that a stricken nation in the midst of a stricken world may require. These measures, or such other measures as the Congress may build out of its experience and wisdom, I shall seek within my constitutional authority, to bring to speedy adoption.

"But in the event that the Congress shall fail to take one of these two courses, I shall not evade the clear course of duty that will then confront me. I shall ask the Congress for the one remaining instrument to meet the crisis—broad executive power to wage a war against the emergency, as great as the power that would be given to me if we were in fact invaded by a foreign foe."

Action Promised

If ever the American people called for a pledge of action they had it in the words of their new president. He unhesitatingly dedicated himself to the task of placing the country on its feet. He said that he will do this with the help of Congress but that he will not remain totally dependent

upon its help. If Congress should obstruct a program of needed legislation President Roosevelt has announced that he is prepared to take unto himself powers which may be termed dictatorial. If this should happen we would go back to the days of the World War when Congress delegated to the president powers which permitted him practically to run the country as he saw fit. The government at that time took control of industry, it fixed prices, it managed the railroads; in fact, it had effective authority over every major branch of our national life. This, of course, is in contrast to our ordinary practice of government which divides power more evenly between the executive and legislative branches. It is intended that much time shall normally be given for debate in Congress, that laws shall be hard to pass, in order that as few mistakes as possible may be made and that wise policies may be adopted. But in time of great national danger, the theory is that quick action is necessary and that only the executive can act quickly. Thus, in such times we depart from the usual practice and place greater authority and responsibility in the hands of the president. President Roosevelt holds that the present is a period of danger as grave as if we were engaged in a war and if action cannot be had in the ordinary way, he wishes to assume the added powers.

While this statement was the high light of the inaugural address, it was by no means the only outstanding feature. The president's brief, seventeen-minute speech has been heralded as one of the most important documents ever to be recorded in the annals of the nation. It did not, of course, state specifically the program which the president has in mind to cope with the depression. Nor was any such statement expected, for it was known that details would be reserved for presentation to Congress. The speech was general and only suggested the course of action which probably will be adopted. We may, however, upon examining it carefully, discover that the president plans eight major lines of attack. These are as follows:

Eight Point Program

1. *Putting people to work.* The president apparently intends to depart from the policy which the government has pursued in the past—that of advancing credit to such organizations as banks and railroads and leaving as much as possible the problem of unemployment to the states and localities. He suggests that the government will take charge and recruit millions of unemployed, putting them to work on "greatly needed projects to stimulate and reorganize the use of our great national resources." This evidently means that the government will get out a great bond

issue to inaugurate a wide-scale program of public works as one way of helping to set the wheels of industry in motion.

2. *Restoring the balance between city and country.* Too many people are living in large industrial centers. The population should be more evenly distributed over the country. This does not necessarily mean sending people back to the farm, but rather it means the development of communities in which the factory and the farm should play an equal part. The president had previously suggested this need when he outlined plans for the development of the Tennessee valley.

3. *Raising the value of agricultural products.* It has long been recognized that there can be no hope of real prosperity until purchasing power has been restored to the farmer—until he is able to buy the manufactured goods produced in the cities. He cannot do this now when farm prices are so low. President Roosevelt is known to favor the domestic allotment plan for agriculture. It seems certain that some such measure will be one of the early acts of the new Congress.

4. *Preventing mortgage foreclosures on small homes and farms.* There can be no feeling of security, no restoration of confidence if small home owners and farmers must live in fear of having the roofs taken from over their heads. They must be assured that they will be given time in which to meet the obligations they cannot now meet because of depleted incomes. The bankruptcy act, one of the last acts of the Lame Duck session, is a step toward this end. President Roosevelt, apparently, plans further action.

Economy and Relief

5. *Cutting the cost of federal, state and local governments.* Taxes are excessive. They are a drain upon the resources of the already hard-pressed citizen. The government must be generally reorganized in order to provide better service at less cost. There must be greater cooperation between federal, state and local governments to provide for greater efficiency and for a more just tax system. President Roosevelt has pledged himself to reduce government expenses by 25 per cent. His new

director of the budget, former Representative Lewis W. Douglas of Arizona, is a vigorous supporter of government economy. Plans for government reorganization have been under way for some time and will soon be put into practice.

6. *Unifying of relief activities.* Relief to the unemployed and destitute has been carried on in a haphazard manner. The federal government has kept itself aloof from the states. States and communities have often been working at cross purposes. Delay, waste and increased suffering have been the result. President Roosevelt expects to organize relief work and to put it on a firm foundation.

7. *National planning for and supervision of all forms of transportation, communication and other public utilities.* The implications of this statement are tremendous. It means, apparently, that the government will undertake much closer regulation of railways, airlines and motor busses. They will all be drawn into a national plan, a gigantic, unified, centrally controlled network covering the entire nation. And equally as important is the declaration that the government will take a hand in the power business. There will be strict government supervision of electric power plants, of gas and water companies in order that the cost of this service to the consumer may be reduced.

Banking

8. *Strict supervision of banking; putting an end to speculation and providing for an adequate but sound currency.* As stated earlier in the article the president made a slashing attack on "unscrupulous money changers." He hopes to place our banking system in such a position that no depositor in the future need fear the loss of his accumulated savings. President Roosevelt has been in favor of the Glass bill providing for reorganization of our banking system. This bill, modified or strengthened to suit the president, will probably be pressed for enactment at an early date. Bankers and investment houses may not be permitted to speculate with other people's money. President Roosevelt's declaration for an adequate but sound currency is guarded. He leaves the door open

for whatever currency legislation may be deemed necessary. He emphasizes, however, that our currency must remain on a sound basis.

This, broadly, is an outline of the general features of the program which President Roosevelt has in mind. We shall know more specifically what he is planning when the details have been placed before Congress. In the meantime, the nation has been encouraged by the stirring pledge that action, and quick action, will be taken. The people seem united in the disposition to give the new administration a free hand. The editorial comments which appeared the morning after the inauguration in the great newspapers of the country were almost universally favorable. We give a few quotations from some of the larger dailies in different sections of the country, representative of both parties:

Comment

The New York Times, Independent Democratic journal, makes the following comment:

If in the inaugural address of President Roosevelt anything is lacking, it is not courage. In the boldest and most resolute way he called upon the nation to join him in taking arms against a sea of trouble. The President has sounded a call to battle and pledged himself to lead a courageous army of his fellow-citizens.

The New York Herald-Tribune, Republican, has the following to say about the speech:

We think there must be general agreement that the new Executive of the nation speaks with courage and confidence, like a true leader, who realizes the difficulties before him and faces them unafraid. . . . President Roosevelt has started well. A loyal and united nation will be glad to follow his leadership in the difficult days that lie ahead.

And the Chicago Tribune, A Republican paper:

President Roosevelt's inaugural strikes a dominant note of courageous confidence. Confined in a brief message to the larger outlines of the problem before us and to general indications of practical policies and measures, the President's address is not to be taken as an explicit program. For discussion its practical suggestions must await more definite proposals of action. President Roosevelt speaks with confidence which is justified by the good will of the nation. He has for his support a majority in both houses of Congress and of a party fresh from political victory, and we trust ready to follow strong and patriotic leadership.

The Democratic World-Herald of Omaha, says:

We are enlisted in a war, we Americans. It is a real war; a war for the preservation of ourselves, of our country, of our children's heritage. The call of the President of the nation summons us to his side—summons the humblest and weakest as well as the most powerful. It is a war that under his fearless leadership must be fought by all, for it is fought for all alike.



© Harris & Ewing

FRANKLIN D. ROOSEVELT TAKING THE OATH OF OFFICE AS THE THIRTY-SECOND PRESIDENT OF THE UNITED STATES.



© Harris & Ewing

THE INCOMING AND OUTGOING PRESIDENTS AS THEY PREPARED TO DRIVE TOGETHER FROM THE WHITE HOUSE TO THE CAPITOL.



HERE is the record of the second session of the Seventy-second Congress. Of a total of some 21,000 bills introduced, about 800 were passed, most of them of only local importance. The only measures of national interest were: the bill granting independence to the Philippine Islands, subject to approval by the Philippine legislature; the resolution for repeal of the eighteenth amendment, subject to ratification by constitutional conventions in three-fourths of the states; the LaGuardia-McKeown bankruptcy act, allowing financial reorganization of railroads, postponement of mortgage foreclosures and adjustment of farm indebtedness; the Smith \$90,000,000 seed loan act, providing for crop production loans on 30 per cent reduction of acreage; one-year extension of the Glass-Steagall banking act, making certain issues of government bonds available as security for currency; one-year extension of the gasoline tax; the Treasury and Post Office appropriation bill, including the Byrnes amendment to grant federal government reorganization powers to President Roosevelt; appropriation bills for the Interior, Agriculture, War, Navy, State, Justice, Commerce and Labor departments and the first and second Deficiency Appropriation bills. The only relief bills passed authorized distribution of an additional 350,000 bales of Farm Board cotton through the American Red Cross, and sale at nominal rates of surplus clothing by the Navy Department.

Two appropriation bills were sent over to the special session of the Seventy-third Congress: the District of Columbia \$36,900,000 bill tabled in the House, and the Independent Offices bill, pocket-vetted by President Hoover because of refusal by Congress to include his recommended \$120,000,000 cut in veterans' expenditures. President Hoover's executive orders of December 9 for general federal government reorganization were defeated in the House. All taxation legislation except the gasoline tax was left for the next Congress, as well as the important Glass banking bill and the Steagall bill to guarantee bank deposits, all farm relief legislation including the domestic allotment plan, all unemployment relief projects, plans for railroad consolidation and industrial readjustment through the six-hour day and five-day week, all tariff legislation against cheapened foreign products, and international matters such as the World Court adherence, an arms embargo against nations at war, and the St. Lawrence waterway treaty. Lastly, the 3.2 per cent beer bill passed by the House was approved by a Senate committee with 3.05 per cent beer, but never reached the floor of the Senate.

Special Session of Congress

One day after his dramatic inaugural address calling for swift, drastic action to cope with the crisis, President Roosevelt called a special session of Congress for March 9. It was believed in political circles that he would open the special session with a personal address, setting forth the banking measures he wished to have enacted into legislation. Democratic leaders of both houses of Congress met informally several days before, and adopted the caucus rule which binds the members in advance to vote en bloc. This was done to assure Roosevelt that he would have solid support for his program.

Governors' Conference

The widely heralded governors' conference held at the White House two days after Roosevelt's inauguration was completely overshadowed by the nation-wide banking crisis. The questions which had been intended to be discussed—taxation, federal aid for unemployment, reorganization of local governments and mortgage foreclosures—were barely referred to. The chief topic of conversation was centered on the banking emergency and how the states could cooperate in dealing with it. State relief problems were set forth by the governors, but Roosevelt did not indicate whether or not the federal government would grant direct relief to the nation's unemployed.

New Speaker

Two days before inauguration, the Democrats of the House of Representatives held a caucus and chose Henry T. Rainey of Illinois to fill the position of speaker which was made vacant when John N.

Garner assumed the vice-presidency. The caucus elected Mr. Rainey by a vote of 166 to 112 over his nearest opponent, John McDuffie of Alabama. In the past the speaker of the House has had wide authority to decide upon legislation to be considered by that body. But plans were agreed upon at the recent caucus to appoint a steering committee to make these decisions in the next Congress, thus stripping the speaker of much of his power. The originator of this plan was none other than Mr. Rainey himself.

Hull's Successor

Judge Nathan L. Bachman of Chattanooga, Tennessee, has been named by Governor McAlister of that state to succeed Cordell Hull, now secretary of state, in the Senate. Judge Bachman is a brilliant lawyer and is expected to be an excellent successor to Mr. Hull. He started his public career as city attorney at Chattanooga, then served on the circuit court bench and in 1918 was elected to the state supreme court. He resigned from the court in 1924 and has since devoted his entire time to the practice of law.

New Farm Board

It had been expected that Roosevelt, upon assuming office, would abolish the highly criticized Federal Farm Board. But he intends to do no such thing. Instead, he will eliminate the objectionable features of the board, and then broaden its entire scope. He has appointed Henry Morgenthau, Jr., an expert on agricultural problems, as chairman of the organization. The board will make loans to cooperatives, have charge of federal land banks, make loans for seeds and assist in taking care of the farm mortgage situation.

Senator Byrd

Another senator, Harry F. Byrd, appointed by the governor of Virginia, took the oath of office on March 4. Senator Byrd is filling the vacancy left open by Claude A. Swanson, when the latter became secretary of the navy in the Roosevelt cabinet. Mr. Byrd, a former governor of Virginia, established a national reputation in that office by placing his state on a sound financial basis when other states were incurring enormous debts. His motto is "pay as you go" and he carried out this policy while governor.

Outlook at Geneva

The British government has decided to send Prime Minister MacDonald to the disarmament conference at Geneva soon in an effort to save the conference from utter failure. No progress is being made and the prospects are darkened by the recent success at the polls of the militaristic government in Germany headed by Hitler. It is felt that Germany's non-cooperative attitude has played an important part in blocking constructive action. Italy, too, is blamed by the British for deliberately carrying on a provocative campaign against Yugoslavia.

Germany, on the other hand, contends that France and her allies are attempting to dictate policies at the conference and that until they recognize German equality, not only in theory but in fact, no favorable action for world disarmament can be expected to develop. These are the conflicting views which have nearly doomed any hope for constructive action at Geneva. The British hope, however, that under the leadership of Ramsay MacDonald and Norman Davis, who is soon expected to leave the United States for Geneva, a compromise can be brought about and progress hastened.

Can It Be Possible?

The following amusing incident relative to a tragic situation was dispatched from London by the Associated Press: "Purchasing agents for China and Japan met the other day in the reception room of one of the big munitions companies. They fell to talking as friends and finally compared the prices they were paying. The result was that they went in to see the munitions maker together, put up a united front and went away with a 40 per cent cut in prices."

Moley and Tugwell

Two of Roosevelt's close economic advisers have been given official posts in the new administration. Professor Raymond Moley of Columbia University, who assisted Roosevelt in the writing of his campaign speeches and who has been closely associated with the president since, has been appointed assistant secretary of state. Professor R. G. Tugwell, also of Columbia, has been selected for the post of assistant secretary of agriculture.

Transatlantic Airlines?

The prospects are brighter than ever before that transatlantic airlines will become a reality. The Du Pont and General Motors interests have pledged their support to a relatively new invention known as the Seadrome. It is really a floating airport which its backers think will solve the problem of airplanes landing in mid-ocean. The finished product will measure 1200 by 340 feet, will have a landing area of six acres and will contain hangars, a hotel, a radio station and meteorological offices. Everything will be streamlined and therefore it is not expected to be affected by wind or waves. A 1500-ton weight will be used to hold it in place. If present plans are carried out, a number of these stations will be in operation within two years.

Mills and the Crisis

Ogden Mills, secretary of the treasury in the Hoover administration, is remaining in Washington until the banking situation clears up. His intimate knowledge of matters connected with the treasury makes it imperative that he assist the new administration through the immediate crisis. And he is letting it be known by his cooperative action that he intends wholeheartedly to support the new administration in dealing with present troubles.

Japanese Take Jehol

The Japanese military forces have taken the Chinese province of Jehol in record-breaking time. By March 4, just eight days after the Japanese began their relentless drive, three-fourths of the entire area had been conquered, including Chengteh, the capital. A few days later, only scattered Chinese troops offered any resistance at all, and they were quickly being overcome. Members of the Nanking government admit that the Chinese defense in Jehol has completely broken down. The Chinese troops are helpless in combating the Japanese forces, which is natural, since the latter possess far superior mechanical equipment and are better organized for fighting.

Labor Opposes Miss Perkins

The American Federation of Labor has strongly denounced the appointment of Frances Perkins to the secretaryship of labor in the Roosevelt administration. William Green, president of the federation, has declared that his organization will absolutely refuse to cooperate with Miss Perkins. His hostile attitude toward her is not in any way personal, but he and other members of the federation feel that Mr. Roosevelt should have appointed a man instead of a woman to this office, as workers are mostly men. Besides, they say that Miss Perkins is a sociologist and therefore more interested in social problems than the specific matters affecting labor. They desired the selection of Daniel Tobin, head of the Teamsters' Union, for the office. But despite the federation's refusal to cooperate with Miss Perkins, the press highly praises her excellent record as New York Industrial Commissioner, and many feel that she is one of the most valuable persons in the cabinet.

Mr. Hoover's Support

Mr. Hoover has announced that President Roosevelt "should receive the wholehearted support and cooperation of every citizen" in his plan for meeting the banking and economic crisis. While Mr. Hoover's political theories differ from those of President Roosevelt, his statement indicates that he is in favor of giving Roosevelt a free hand until the emergency is met.

Walsh Dies

Senator Thomas J. Walsh of Montana died suddenly only two days before he was to have become attorney-general in President Roosevelt's cabinet. The senator was on his way to Washington with his bride whom he had married five days earlier in Cuba. His death is mourned by all, who recognized in him a brilliant lawyer and an able, honest, public servant. He was looked upon as the most outstanding member of the new cabinet. President Roosevelt feels the loss keenly as Senator Walsh was one of his closest advisers and friends.

Cummings Succeeds

Homer S. Cummings of Stamford, Connecticut, has been temporarily chosen by President Roosevelt to fill the vacancy in the cabinet left by Senator Walsh. Mr. Cummings, who has been a prominent figure in Democratic politics for a number of years, had already been slated for the office of governor-general of the Philippines, and he will only be attorney-general until Roosevelt decides upon someone else.

Smith's Program

During the last month of the Lame Duck Congress, the Senate Finance Committee called in a number of leading industrialists, business men and bankers to express their opinions as to what steps should be taken to end the depression. Alfred E. Smith was one of the last to go before the committee and he attracted by far the most interest and the greatest crowd of any appearing before the committee. He advocated recognition of Russia as a means of stimulating trade; a national highway construction program, to give employment to be financed by a bond campaign like those of the late war; a war-debt moratorium for at least five years to eliminate this perplexing problem from the present chaotic situation; and he opposed currency inflation on the grounds that it would only be a "shot in the arm."

Leticia and Chaco

The Council of the League of Nations has taken action to put a stop to the fighting which has been going on in South America. In the case of Leticia, over which Colombia and Peru are fighting, it has proposed that an international army, an army under the control of the League, shall take charge of the town and patrol it while the two nations try to reach an agreement. Colombia immediately accepted this proposal but Peru asked for a few days' time in which to consider it. In the case of the Chaco, where war is going on between Bolivia and Paraguay, the Council has decided to call for a worldwide arms embargo against the two nations.

Day of Thanksgiving

When Kentucky found it necessary to declare a bank holiday recently, it had to go about it in a rather curious way. There is no law in the state giving the governor power to enforce such holidays. He was obliged, therefore, to declare "a day of thanksgiving" as this was the only way in which he could legally close the banks. It is probable that the people of the state did not feel very thankful although they may have been grateful that action was being taken to safeguard the money they had deposited in the banks.

Cermak Passes Away

After more than two weeks of valiant fighting for his life, Mayor Anton Cermak of Chicago, on March 6, succumbed to a wound inflicted by a bullet which had been intended for President Roosevelt. It appeared for a number of days that Mr. Cermak would recover, but gangrenous pneumonia set in and removed all hope. Plans were immediately made to return his body to Chicago where burial services were to be held.

Earthquake Rocks Japan

The northern part of Japan was recently shaken by an earthquake which took nearly two thousand lives. Many seaside villages were completely devastated. Ships were washed to sea. Buildings capsized as if they had been constructed of blocks, and those which were not shaken to pieces were destroyed by fire. Tokyo and other large cities immediately rushed relief to the stricken areas. Not since the earthquake of 1923, which was even more damaging than the recent one, has a more severe disaster visited the shores of these Pacific Islands.

The AMERICAN OBSERVER



Published weekly throughout the year (except two issues in December) by the CIVIC EDUCATION SERVICE, 744 Jackson Place, Washington, D. C.

Subscription price, single copy, \$3 a calendar year. In clubs for class use, \$1 per school year or 50 cents per semester.

Entered as second-class matter Sept. 15, 1931, at the Post Office at Washington, D. C., under the Act of March 3, 1879.

EDITORIAL BOARD

CHARLES A. BEARD HAROLD G. MOULTON
GEORGE S. COUNTS DAVID S. MUZZEY
WALTER E. MYER, Editor

VOL. II

WEDNESDAY, MARCH 15, 1933

NO. 26

As the Editor Sees It

SELDOM in history has there fallen to any man the opportunity for leadership possessed today by President Roosevelt. He has assumed the presidency in the midst of a very grave national emergency. The people of the nation are worn out by weary months of depression. They are dismayed as they face the immediate crisis of financial panic. They are sickened by the long deferment of hope. They are tired of inaction and are ready to accept strong and resolute leadership if there is any promise that it will lead them to better times. They are willing to give the new president a chance. The leaders of both parties are showing a disposition to work with him. They must do so, for the will of the people would compel it. If the new administration has a plan of action, it also has the opportunity of putting that plan into effect. If it is possible for the government to marshal the forces of the nation and to set the wheels of industry in motion, and if the president and his advisers have the wisdom to direct the government to that end, the people are ready and willing and anxious that action be taken.

As I stood at the window of my office on the afternoon of the fourth of March looking down upon the White House and watching the new president in the reviewing stand as he stood by while for hour after hour the parade marched past him down the avenue, I felt that I was living through a dramatic moment of history and that I was looking, as figuratively the whole world was looking, at one man who held in his hands the destinies of millions. Such, I think, was the feeling of the thousands of men and women who listened that day to the president's address and who surged through the streets of the city, solemn yet hopeful. We were in the presence that day of a great crisis in American history, and the newly inaugurated president of the United States stood charged with a responsibility such as few men have borne.

THE president gave clear indication in this inaugural address that he understands clearly the gravity of the occasion and the nature of the responsibility which

is his. He gave indication, further, that he is ready to the extent of his powers to assume the responsibility. He promised quick action and drastic action. His declaration that he stood ready to take upon himself war powers in order to meet a crisis as great as that which confronts the nation in time of invasion was momentous in its significance.

It was not long before President Roosevelt followed words with action. He took a bold step when he closed the banks of the nation, the state as well as the national banks. Does a president have the power to close all the banks, to forbid the export of gold and to forbid under heavy penalty the hoarding of gold or currency? A timid president would have said no, but President Roosevelt was not timid. He remembered that during the war a law called the "Trading With the Enemy Act" had been passed, and that although it was meant as a war measure it had not been repealed. It gave the president the right in time of national emergency to protect the gold and currency of the nation from export or hoarding. President Roosevelt did not hesitate to act under the authority of that law. He declared that we were again in the presence of an emergency. He held that the closing of the banks was a reasonable means of protecting the country's currency, and so he closed them. He had already called Congress to meet in special session four days later. It is customary to give fifteen days' notice in calling a special session, but that custom was thrown aside in the crisis. This was action, clear, swift, decisive. The nation responded with hearty approval.

MANY people seemed to be struck with terror when the banks and the stock exchange were closed. They felt that our economic system had collapsed and that calamity, rather than prosperity, was "just around the corner." But as soon as they could take stock of the situation a different sentiment prevailed. The great danger had been that those who had money in the banks, in a spirit of panic, would draw it out for hoarding. That was going on in a wholesale fashion in every state.

If it had continued, the banks would have been ruined, and there would have been financial demoralization. There was real danger in the situation so long as the banks remained open and so long as nervous depositors had the privilege of drawing out their money. But when the banks were closed, this danger vanished, at least temporarily. The funds in the banks—the people's money—were again secure. There had been registered a determination that hoarders should not be allowed to ruin the financial structure. They would not be allowed to continue to draw out the money which people everywhere had deposited in the banks. The gravest element of the emergency had then passed, and the nation could breathe easier.

Another problem remained. How would it be possible to open the banks sufficiently to allow money to be used in ordinary commercial transactions and yet not in sufficient measure to allow

nervous depositors to draw out their funds for hoarding? That problem had been faced by the country several times in the past, notably in 1907. As these comments are being written the plan which will be adopted this time has not been put into operation. It calls, however, for the use of scrip, or emergency money, which is being issued and which will be passed over the counters of banks until normal conditions are restored. The nature of these devices which are being called upon to deal with the crisis will be explained in THE AMERICAN OBSERVER next week.

LET us consider now the assertion made by President Roosevelt in his inaugural address that if adequate action to combat the depression were not taken by Congress he would ask authority to exercise as great power as a president exercises in time of war. In other words, he would use the war powers of the president to carry on a war against depression.

Just what does that mean? What powers are exercised by a president in time of war? An examination of the experience of the nation during the World War suggests a number of possibilities. There was created the War Industries Board, and it was placed under the direction of the president. Hacker and Kendrick, in their history of "The United States Since 1865," explain the powers and activities of the board in these words:

It was in complete charge of war purchases not only for all the services of the government but for those of our allies as well. It had the power to reorganize the nation's industrial life by indicating what new sources of supply were to be developed and where conservation of facilities and materials was to take place. It could determine priorities of production and delivery. It could standardize products. It could fix prices. How completely the War Industries Board controlled the industrial processes may be seen from the following partial list of raw materials for which prices were fixed by it: iron and steel products, wool, foreign and domestic hides, aluminum, domestic manganese ores, lumber, sulphuric and nitric acid, copper, hemp, Portland cement.

The president took charge of the transportation systems of the nation during the war. He took over the railroads and ran them as one system. He managed the entire shipping business and through the Emergency Fleet Corporation, purchased, constructed, equipped, leased, chartered and maintained merchant ships without restriction. Through the War Trade Board he controlled American foreign trade and established a license system over exports and imports, decreeing what should or should not be imported or exported. Through the Food Administration, which was under his direction, he controlled the production and sale of food. He fixed the prices of food products. Through the Fuel Administration he had charge of the coal industry. Through the War Labor Conference Board he fixed wages.

It thus appears that during the World War the chief executive held the industries of the nation in almost autocratic control. If President Roosevelt sees fit to obtain equivalent power for himself, he can take charge of the industries of the nation and bend them to his will. He can institute economic planning. He can do practically anything which seems necessary as a road out of depression. This gives us an idea of the significance of his suggestion that he may ask for war powers in order to fight the depression.

IN my opinion we could be lifted out of the depression if the government should go about the task as resolutely as if it were carrying on a war against a foreign foe, and if the people of the nation should respond with the loyalty, the spirit of self-sacrifice and the enthusiasm which they exhibit during a time of war. The government could call millions of men into its service and could put them to work. It



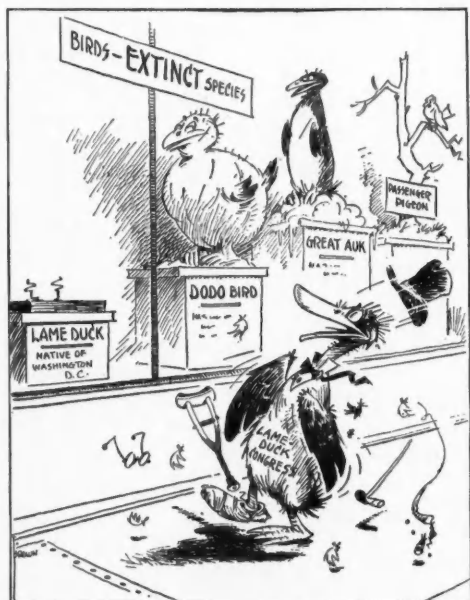
—McCutcheon in CHICAGO TRIBUNE
A WISE ECONOMIST ASKS A QUESTION
This cartoon won the Pulitzer Prize for 1931.

would do this if we were engaged in war, and in that case such would be the spirit of the people that means would be found whereby this army of men could be sustained. If President Roosevelt can inspire the people with a feeling akin to that which they have when they go to war, the government will be able to sell bonds, and it can raise a fund sufficient to employ millions of men. There will thus be created a vastly increased demand for goods. In order to supply the demand, factories and farms can go to work again with assurance that they can dispose of their products. The nation will then be on the upward road.

ADOLF HITLER is another man to whom destiny has beckoned. He, too, is in a position to lead. The election of March 5 put him in a position to establish a dictatorship, and it appears that he will seize the opportunity. His followers, the Nazis, and the Nationalists, who are allied with him, both enemies of the republic, secured a majority of the votes cast throughout the nation, and they will have a majority in the new Reichstag. It appears that they will accept this vote as an indication that the nation is ready for a dictatorship and that they will do away with the forms of democracy. So Germany appears to have joined Russia, Italy, and Poland.

The dictatorships in these European countries are the real thing. They differ materially from the sort of "dictatorship" which is referred to in the United States when there is talk of enlarging the powers of the president to meet the crisis. The American president does not become a dictator in time of war or other emergency when he assumes powers quite out of the ordinary. He remains an elected official subject to the freely expressed wishes of the voters of the nation. He exercises power granted him by the Constitution. In Italy, in Russia, in Poland, and now perhaps in Germany, constitutional government is set aside and the head of the state rules independently of popular consent.

WE have been so distracted lately by domestic difficulties that we have given little thought to Far Eastern affairs. During this time Japan has conquered the province of Jehol and is threatening to make her way southward into China proper. What shall the United States do about it? Several courses are open. We may keep hands off, holding that we are not responsible for the acts of foreign nations. We may voice moral protest, but take no action to make the protest effective, or we may join with the League of Nations to enforce world judgment against Japan by boycotting her or bringing some other kind of pressure to bear upon her. A decision must probably be made early in the Roosevelt administration, and it will be one of tremendous significance.—W. E. M.



THE LAST MILE
—Brown in N. Y. HERALD-TRIBUNE

WITH AUTHORS AND EDITORS

We read old books for their excellence, but new ones to share in the mental life of our time.—SATURDAY REVIEW OF LITERATURE.

For Your Entertainment

THE LITTLE DOG LAUGHED. By Leonard Merrick. New York: E. P. Dutton and Co. \$2.50.

In troubled times like these it is highly desirable that we take our minds off the heavy public problems now and then, and lose ourselves in sheer diversion. For that reason we are recommending to our readers a book which is not new—a collection of short stories which appeared about three years ago. This collection bears the title "The Little Dog Laughed." One is left to his own conclusions as to why the collection is so called. Possibly as one looks on at the amusing parade of characters he may be reminded of the line in the "Hey Diddle Diddle" nursery rhyme—"The little dog laughed to see such sport."

Leonard Merrick is an English writer who has for many years been acclaimed by the critics. William Dean Howells, H. G. Wells, G. K. Chesterton and J. M. Barrie have written enthusiastic introductions to his works. He has never had as large a following in this country as he has deserved.

"The Little Dog Laughed" is a collection of fourteen short stories. The plots of nearly all of them are laid in France, and the stories are told with a simplicity which reminds one of De Maupassant and other great French storytellers. They are witty in expression and, even better, they are highly humorous in theme. They are written with no apparent purpose except to entertain, and that purpose is realized. The stories are not thrillers. They do not bristle with exciting action, but they are clever. They are well written and thoroughly enjoyable.

A Biography

HENRY ADAMS. By James Truslow Adams. New York: Albert and Charles Boni. \$2.50.

James Truslow Adams, historian and essayist who wrote the story of "The Adams Family," a family to which, by the way, the author, despite his name, is not related, has written a biography of one of the members of that distinguished family, Henry Adams. Henry Adams was born in 1838 and lived until 1918. He was the son of Charles Francis Adams, United States ambassador to England during the Civil War period, a grandson of John Quincy Adams, the sixth president, and the great-grandson of John Adams, the second president. He served as secretary to his father during the London ambassadorship and then came back to America to create his own career. For a time he was a journalist. He contributed to the *North American Review* and the *Nation* and other periodicals and wrote a number of financial treatises. Later he was professor of history at Harvard, and while there wrote the nine volumes "History of the

United States, 1801-1817" which established a place for him among the great American historians. His later years were given over largely to philosophical speculation. His famous work of this period was "The Education of Henry Adams," which is partly autobiographical and partly philosophical in nature. The reputation of Henry Adams as one of the outstanding American scholars is established and this biography by James Truslow Adams sketches his life and evaluates his contributions to letters and to thought.

Civilizing Man

CAN MAN BE CIVILIZED? By Harry Elmer Barnes. New York: Brentano's. \$2.50

In a series of thoughtful essays the author, who is a professor of history and a political columnist for the Scripps-Howard newspapers, inquires concerning courses which should be followed if we are to insure "preservation and progress of the human species." Mr. Barnes raises questions as to the kind of religion we should have if we are to move forward certainly and safely. He discusses "the need for a new code of morals." He outlines a program of crime control, of industrial policy, of preparation for leisure and for "education for a doubting age." We can predict very little as to the nature of our future, Mr. Barnes concedes, but he concludes with this significant thought:

There is just one consolation—a very important one. History can free us from the paralyzing influence of the Dead Hand, as Herbert Spencer used to call the customs and superstitions of the past. We can boldly plan our own future. The sciences of life, man and society now enable us, if we will, to build a human utopia on this earth. Where we go from here need no longer be a myth or legend. It is a challenge to human imagination and to social engineering. And it cannot be ignored. If we drift without planning, then indeed the human future will be a tragic voyage on an uncharted sea.

Digging In

A HOME FOR \$130. By Katrina Hincks. *Forum*, March, 1933.

The way one young couple beat the depression by building a little stone house on a Connecticut hillside is an encouraging sidelight on how 1933 can be faced. Before they married last spring, Bill and Ann Carter planned their new house for week-ends in the country, but when the depression hit Bill's job, they went ahead with it as a permanent livable home. With native field stone and timbers cut from the land, floorplanks and beams from a disused barn, they finished the house between April and October, 1932. Although Ann saw the "house-party and gardenia side of college" and studied art at Yale, she now finds that one big room answers all her needs. Snug in their one-room stone bungalow, with its roaring fire on a wide, old-fashioned hearth, complete with cranes and copper pots, its built-in cupboards and chests, drop-leaf tables and wide, double

bunk, the Carters have dug in "for the duration."

Roosevelt

IF ROOSEVELT FAILS. By Elmer Davis. Harper's, March, 1933.

President Roosevelt has assumed charge of the nation's affairs at a time when, in the words of his opponent, Mr. Hoover, the change in government "means determining the course our nation will take over a century to come." President Roosevelt has with energy and determination set his hand to the helm to attempt national planning in our business and economic life. To those who see the capitalistic system itself on the verge of breakdown, Roosevelt, in his campaign address at the Commonwealth Club, declared "there has as yet been no final failure" of private initiative because "there has as yet been no attempt" to reduce our present system to order. The new president has now undertaken to introduce order out of chaos by government regulation of business and banking.

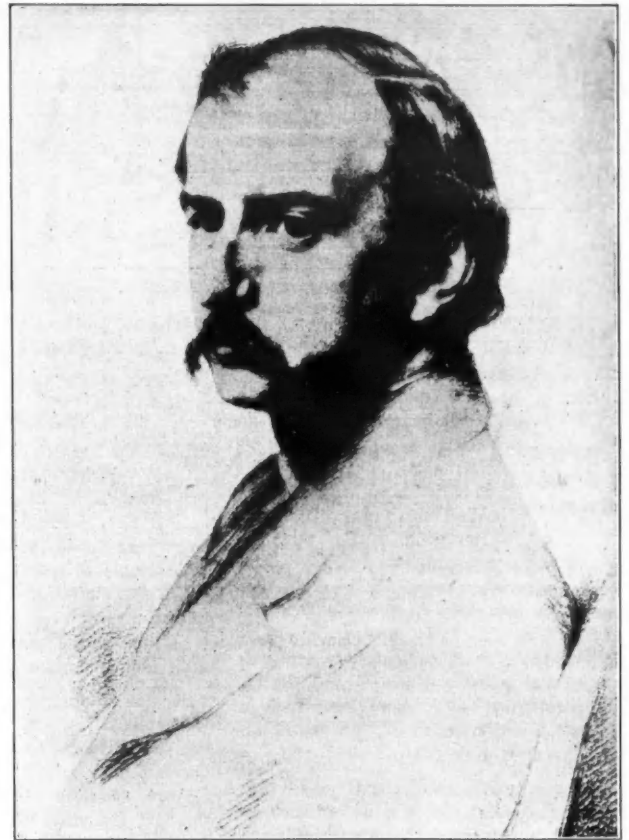
If he fails, Mr. Davis predicts, "reforms that are now possible and might be adequate may be both impossible and inadequate" by 1936. "If Roosevelt fails, some political leader may borrow a good deal of the Socialist program and put it over. But the nation by that time may want a Messiah and may be ready to take a false prophet if he only makes enough noise. A demagogue of 1936 might be reactionary as well as radical, a Hitler as well as a Bryan."

Half Century of Marx

MARXISM AFTER FIFTY YEARS. By Harold Laski. *Current History*, March, 1933.

March 14 marks the fiftieth anniversary of the death of Karl Marx. In these fifty years the social philosophy he preached has grown from the practically unknown "Utopian madness of a revolutionary exile" to be the accepted doctrine of some of the major political parties of Europe and the guiding principle of Russia, a nation of 120,000,000 people. Yet the fundamental theory of Karl Marx—that under capitalism workers are necessarily exploited and that class warfare is inevitable—has been rejected by leaders of modern economic thought, such as Professor Veblen and J. M. Keynes, and Mr. Laski comments, "I do not myself believe that the Marxian theory of value has stood the test of time."

This is a paradox which Mr. Laski explains in the following way. In the first place, the present commercial world crisis is so great that the mass of people suffering and in want are in no mood to analyze closely the logic of Marx's theories. The poorly paid laborer is apt to see only the picture Marx drew of "a world divided into those who have nothing to live by save the sale of their labor and those who live by ownership of capital and land," with the riches of one due to the poverty of the other. Moreover, Marx's teachings are taking on for his followers today all the religious and emotional strength of "the great historic faiths of the past," for in Russia, the great laboratory experiment of Marxian doctrine, communism has become a religion. To millions, Mr. Laski concludes, Marx's name "awakens a sense of veneration and belief such as has been



HENRY ADAMS AT THE AGE OF THIRTY
(An illustration from "Henry Adams" by James Truslow Adams.)

accorded in the past rather to the great religious figures than to the makers of a political philosophy."

Geographical Units

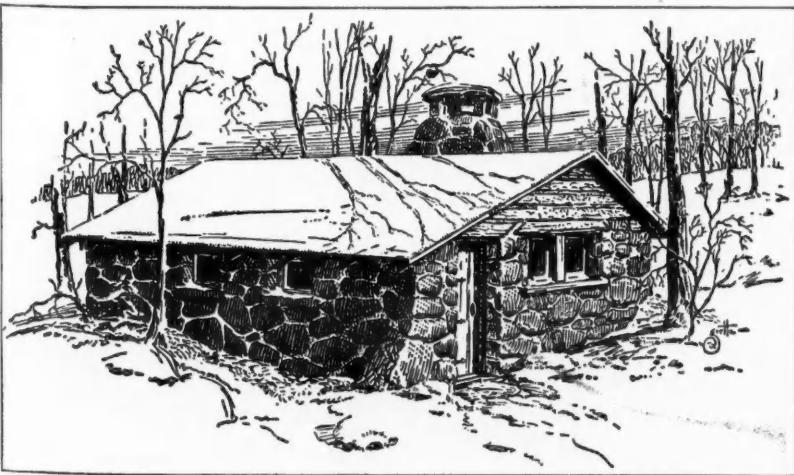
REGIONALISM. By Burdette G. Lewis. *Forum*, March, 1933.

We have outgrown the government machinery of 1790 as a family outgrows a house, in the opinion of Burdette G. Lewis. With a top-heavy federal government costing over \$80 a year for every man, woman and child in the country, Mr. Lewis suggests a sweeping reorganization to alter the "crazy quilt" of overlapping state and federal functions.

Under regionalism, the country would be divided, for administrative purposes, into six geographical units, of seven or eight states each, the Northeast region of New England states, the Southeast, Middle West and Middle South, Northwest and Southwest regions. The states of each region could, under the Compact Clause of the Constitution, make treaties among themselves governing business and economic matters, such as the Port Authority Treaty of New York and New Jersey, or the Lake Michigan compact for crime control on Lake Michigan by Illinois, Michigan and Indiana. All local affairs would be administered within each group by a regional council. This would be radically different from the state legislature as we know it today, for instead of being elected as individuals, the delegates would be chosen to represent their business. The banking interests of each region, for example, would have six delegates in the Regional Council, the manufacturing companies six, the mining and oil extracting industries six, and so on. Engineers, social workers, teachers, would all have their delegates, as would the railway brotherhoods, miners, textile workers and all other groups of labor.

The New York *Herald-Tribune*, speaking of the American sense of humor which was soon apparent after the first shock of the bank crisis, makes this comment:

There will be plenty of opportunity for steadiness and wisdom in the long pull ahead. At the moment, the central fact of the late financial tornado is the fashion in which the American people have dusted themselves off and gone about their business grinning. It is not a question of anything so synthetic as cheerfulness. Rather, we suggest, is it a matter of youth and a good digestion—that yield a keen sense of balance. If, as a people, we can be bowled over easily just try to keep us down!



THIS HOME WAS BUILT FOR \$130

The story of how Bill and Ann Carter are battling with the depression is interestingly told in the *March Forum*. Illustration by J. Clemens Gretter.



NO STUDY or appreciation of the agitation that is now shaking the agricultural sections of the nation is complete without a perspective view of the farm movement in American

Development of Agrarian Movement

history. The developments of the last six months or so in the Middle West are but another manifestation of the attempts of the farm population to bring pressure to bear upon the government in order that legislation favorable to agrarian interests may be enacted. It is another dramatization of the eternal conflict between agriculture and industry which in time of relative prosperity lies dormant but which in period of acute economic depression always assumes a degree of militancy.

The very existence of the United States as an independent nation is due to such an agrarian movement. The American revolution was swept in on the wings of a farmers' rebellion. In 1776, the farmers of the several colonies were confronted with a situation somewhat akin to that which exists today. They were obliged to sell their produce at prices which were constantly sinking lower and lower. Money became scarcer and scarcer, and they found it ever more difficult to pay their debts. As a result, a loud clamor for more money rose throughout the land and when the mother country refused to permit the colonies to print their own paper money, the farmers protested violently.

Although victorious in the war with England, the agricultural interests were defeated in their efforts to obtain national policies which they had long been demanding. Under the Constitution, the states were prohibited from issuing paper money which would have eased the burden of debt. Until the so-called "revolution of 1800," the agricultural interests were unsuccessful in matters of national legislation as the policies of the Federalists were distinctly favorable to the business interests, or the creditor class of the population.

With the accession of Thomas Jefferson to the presidency, the American agrarian movement won its first decisive victory. The next notable instance of a farm victory at the polls was in 1828 when Andrew Jackson was swept into power. In fact, the farmers controlled the federal government quite consistently before the Civil War. But the rapid industrialization of the eastern sections, bringing as it did large cities and greater representation in Congress, was destined to place agriculture in a subordinate position.

The history of the agrarian movement since the Civil War has been characterized by sporadic uprisings most of which have culminated only in failure and frustration. For almost three decades after the war, the grievances of the farmers were many. They were caught in the vortex of falling prices and their margin of profit was very narrow. It became increasingly difficult to raise sufficient funds to meet mortgage payments and to pay their other debts. In addition to these conditions, which were the result of the working of general economic forces, the agrarian sections had specific grievances. The railroads, then in their period of expansion and

Agrarian Movement in American History

By David S. Muzzey and Walter E. Myer

exploitation, resorted to discrimination by charging higher rates for hauling farm produce than they did manufactured goods. The formation of huge trusts led to an increase in the price of many things which the farmer had to buy. The farmers were able to borrow money only at high rates of interest and the banks and other holders of farm mortgages displayed little leniency when payments fell behind.

It was in the face of these conditions that the first important farm movement in the post-Civil War period sprang up. The organization popularly known as the Grange was founded in 1868 and during the next few years exerted considerable influence on our national political life. Fifteen thousand branches were established, and the total membership rose to about a million and a half farmers. The Grange was primarily interested in combating the big industrial and financial interests of the East. It put candidates in the field for both state and local elections. In the state legislatures, members of the Granger organization fought untiringly for measures designed to curb the railroads in the rate practices.

The Greenback party, which came into existence following the Civil War, derived much of its support from the agricultural regions. This movement was another manifestation of the perennial problem of meeting debts in periods of falling prices. The supporters of this party believed that the government should not return to the gold standard following the war but should leave the large quantities of greenbacks, or paper dollars that had been printed during the conflict, in circulation so as to facilitate the payment of debts. The agitation of the farmers at this time was closely related to that which had angered the agriculturists of a century earlier. It was the same old cry for cheap money, more money, in order to hoist prices.

The most important of the agrarian movements of the last century was Populism, or the People's party, organized in

Rise of Populism in Nineties

the nineties. This was the logical development of the large number of farmers' organizations that had been set up in various parts of the country and which, in order to make the farmers' wishes felt through concerted action, united behind one political party. The People's party entered the presidential campaign of 1892 with a platform calling for measures more favorable to agriculture. The free coinage of silver, government ownership and operation of railroads, telephones and telegraphs, a graduated income tax, the establishment of government warehouses throughout the country to buy farm produce for which certificates would be issued and accepted as legal tender—these were the main planks in the first Populist platform. The extent to which the farmers had been irritated and had grown hostile to the industrial and financial interest is apparent from the preamble to the party platform of that year, which read as follows:

The conditions which surround us best justify our coöperation. We meet in the midst of a nation brought to the verge of moral, political, and material ruin. Corruption dominates the ballot-box, the legislature, the Congress, and touches even the ermine of the bench. The people are demoralized; most of the states have been compelled to isolate the voters at the polling places to prevent universal intimidation or bribery. The newspapers are largely subsidized and muzzled; public opinion silenced; business prostrated; our homes covered with mortgages; labor impoverished; and the land concentrating in the hands of the capitalists. The urban workmen are denied the right of organization for self-protection; imported pauperized labor beats down their wages; a hireling standing army, unrecognized by our laws, is established to shoot them down, and they are rapidly degenerating into European conditions. The fruits of the toil of millions are boldly stolen to build up colossal fortunes for a few, unprecedented in the history of mankind; and the possessors of these, in turn, despise the government, and endanger liberty. From the same prolific womb of governmental injustice, we breed the two great classes of tramps and millionaires.

The national power to create money is ap-

propriated to enrich bondholders; a vast public debt, payable in legal tender currency, has been funded into gold-bearing bonds, thereby adding millions to the burdens of the people. Silver, which has been accepted as coin since the dawn of history, has been demonetized to add to the purchasing power of gold by decreasing the value of all forms of property as well as human labor; and the supply of currency is purposely abridged to fatten usurers, bankrupt enterprise, and enslave industry. A vast conspiracy against mankind has been organized on two continents; and it is rapidly taking possession of the world. If not met and overthrown at once, it forebodes terrible social convulsions, the destruction of civilization, or the establishment of an absolute despotism.

But the great struggle between agriculture and industry was not to come until four years later. In the famous campaign of 1896, the Democratic party sponsored wholeheartedly the cause of the farmers, and the Populist movement threw its support to the Democratic candidate, William Jennings Bryan of Nebraska. While the battle was fought on the question of silver versus gold, and inflation against stable currency, the real issue was the same as that which had given rise to every other farm movement in our history—that of raising prices by governmental policy. For a while, it appeared as if the farmers would win a victory such as they had in 1800 and 1828. But they were defeated by the Republicans in their last and most valiant attempt to secure political control.

For more than a decade now, the farmers have been engulfed in another slump accompanied by all the phenomena of such

Character of Present Movement

crises—falling prices, vanishing profits, widespread impoverishment, mortgage foreclosures and all the rest. Until comparatively recently, however, few outward signs of discontent were apparent. No agrarian movement comparable to those of the last century appeared on the horizon. But within the last several months, voices of protest against existing conditions have been heard from the farming regions. The movement appeared first to crystallize in the Middle West farm strike of last summer. Failing to improve their status through national legislation, the farmers sought to boost the price of the products by forcibly preventing goods from reaching the market. Concurrently, the various farmers' organizations presented demands to state governors for relief measures. Moratoria on mortgage foreclosures and tax sales, reduction of interest rates, inflation of the currency, adoption of national legislation designed to raise prices—these were among their demands. The scenes attending attempts to deprive the farmers of their homes and land in payment of debts and taxes are characteristic of the present agrarian revolt. The clamor for secession from the Union heard in some of the western states and the constant, embittered denunciations of the big industrial interests of the East sound like echoes from the past, echoes of the Granger, Populist, Greenback, Free Silver and other agrarian movements that have already crossed the American scene. How far the present movement will be carried will depend upon relief action taken by Congress. An irate farm population anxiously awaits the developments of the next few weeks.



—From Leslie's ILLUSTRATED WEEKLY

A POLITICAL RALLY OF FARMERS AT THE TIME OF THE GRANGER MOVEMENT
An illustration from "The United States Since 1865," by Hacker and Kendrick (Crofts).

Adolf Hitler Gains Control of Germany in Election

National Socialists and Nationalist Allies Win Reichstag Majority

The day that saw President Roosevelt assume war-time powers over American banking and business saw Adolf Hitler, Germany's "little corporal" swept into power as a constitutional dictator by the biggest vote ever polled in the Reich. By mandate of the people, Germany made its choice March 5 between Fascism and Communism and turned to the Right—toward the Mussolini model of government and a Fascist dictatorship.



ADOLF
HITLER

When 39,200,000 German voters went to the polls—nearly 90 per cent of the electorate and probably a world's record in "getting out the vote"—over 17,000,000 voted for Hitler's National Socialists or "Nazis" and 3,000,000 for his allies in the coalition government, the royalist Nationalists. This was a gain of five and a half million votes for Hitler, half again as many votes as he polled when he ran for president against von Hindenburg last November. It gives the Nazi leader 43 per cent of the 649 seats in the new Reichstag, the German Congress, for his own party alone, and together with one other party, the Nationalists, a safe majority of about 52 per cent. As the Nationalists polled about the same vote as in November, the victory is a personal triumph for Hitler and his Fascists. It demonstrates to the world that his dictatorial policies of suppressing and intimidating all opposition have been successful and that President von Hindenburg again correctly sensed the will of the German people when he consented to name Hitler—former Austrian soldier and man without a country—as head of the German government. There is now no longer any doubt but that a régime of strong nationalism is fixed

in power in Germany for an indefinite period.

The Communists, chief opponents of the Hitler government, lost heavily at the polls, totaling 1,200,000 less than in November, or a net loss of one-fifth their number. This means that only 79 communists were elected to the new Reichstag, instead of the even 100 they had last autumn. Moreover, there seems no doubt that Hitler, now personally elected for the first time and confirmed in his dictatorial policies by the voice of the nation, will fulfill his campaign promises by refusing to permit the elected communists even to take their seats in the Reichstag. With the communists thus eliminated, Hitler's 288 Fascist members would have a clear parliamentary majority even without the help of the Nationalists.

Hitler's triumph was nation-wide in character, and the state of Prussia, nearly two-thirds of Germany, went strongly Nazi. The moderate political parties of the center groups lost practically no vote but they did not gain by the communist losses as expected, many communists having by a strange contradiction apparently voted for Hitler. The Nazi victory was most marked in those German states formerly the stronghold of democracy, such as Baden and Württemberg, and one of the surprises of the election was that they won Catholic Bavaria from the Catholic parties by about 600,000 votes.



GERMAN WORKMEN ATTEMPTING TO REPAIR STREET CAR TRACKS WHICH WERE TORN UP BY RIOTERS IN THE PRE-ELECTION DEMONSTRATIONS.

© Acme Newspictures

Homer Cummings Named New Attorney - General

Named to fill the gap in the cabinet caused by the sudden death of Senator Thomas Walsh of Montana, it was Homer S. Cummings of Connecticut who, as attorney-general, helped frame the historic proclamation by which President Roosevelt



© H. & E.
HOMER S.
CUMMINGS

suspended American gold payments. Although it is generally thought that his cabinet appointment is a temporary one, as he had been slated for the post of governor of the Philippines, he has, by that one act, already taken an important place in the history of the attorney-generalship.

One of the original Roosevelt men and a close personal friend of the president, he has been prominent in Democratic politics for a number of years. He was a delegate to a number of Democratic national conventions, and acted as temporary chairman of the San Francisco convention in 1920 and as chairman of the important resolutions committee in the deadlock New York convention of 1924. He served for 25 years as a member of the Democratic state committee, and was once chairman of the Democratic national committee.

He is a lawyer of wide experience, and was for ten years state's attorney for Fairfield County, Connecticut. A native of Chicago, where he was born April 30,

1870, he graduated at Yale and was admitted to the bar in 1893. Since then, he has made his home at Stamford and Greenwich, Connecticut. He was mayor of Stamford for three terms, and has been a corporation counsel there as well as a director of the First Stamford National Bank.

LEWIS W. DOUGLAS

Slashing cuts in veterans' administration expenditures as the shortest road to a balanced budget is the first principle in the program of Lewis Williams Douglas, congressman from Arizona, a member of the McDuffie Economy Committee which drew up the Roosevelt government reorganization and economy program this winter, and newly appointed director of the budget in the Roosevelt administration. Himself an ex-service man, decorated after action in the Argonne and Flanders, he attracted national attention by his speech in the House May 3, 1932, against veterans' compensation for non-service disabilities and for radical reduction in the \$1,121,000,000 annual bill for veterans' relief.

Protesting against the "organized minority" of veterans who have influenced legislation, he brought his colleagues to their feet with the declaration, "Unless you and I now have the courage to stand against these organized minorities in the interest of our nation as a whole, the democratic form of government will



© H. & E.
LEWIS W.
DOUGLAS

Immediate dictatorial measures and a swift carrying out of the Fascist program is the future policy of Germany, and the Kaiser's imperial colors—black, white and red—raised in Berlin during Hitler's last demonstration, may be formally re-adopted as one of the first acts of the new Reichstag. The Nazis mean business, and within twenty-four hours of the election they assumed full police powers in several parts of the country and took over the city halls in such important centers as Hamburg and Altona. The Nazi Storm Troops, together now with the Prussian police and the Republican army, insure the new administration against any possible revolutionary moves. The Reichstag, now a tool of the new government, is expected formally to grant Hitler full dictatorial powers and to set aside any laws that restrict his program. A sweeping reorganization of government personnel has been launched, by wholesale replacements of socialist or centrist officials by Nazis, with even the civil service pension rights of former officeholders cancelled. The single cabinet change expected at present is a vital one, that of minister of justice. With a Nazi in that crucial post, the whole system of German justice may become a tool of Fascist domination.

crumble into dust. It is estimated that ten years hence, under existing statutes, the annual burden (of veterans' relief) will probably mount to \$1,500,000,000. This is an appalling picture. We must modify and revamp the statutes, without depriving the real war casualty of any benefits to which he may be entitled. No democracy can stand the burden which is now imposed upon ours. I know that were the ex-service men themselves to become aware of what has been done, they are sufficiently patriotic to rise up and say, 'This thing must stop.'

The last-minute congressional action granting Roosevelt extraordinary powers omitted the fiscal provisions, so that even under the new administration, cuts in veterans' relief expenditures are still impossible without additional legislation.

Douglas, who urges this action, is a native of Bisbee, Arizona, where he was born July 2, 1894. He was educated at Amherst College and the Massachusetts Institute of Technology. After the war he became a history instructor at Amherst for a year, then took up mining and later citrus ranching in Arizona. In 1923 he began his political career, as a member of the state House of Representatives, and was elected to Congress in 1927.

THOUGHTS AND SMILES

"Success is here today and gone tomorrow," states a writer. Nothing recedes like success.
—London PUNCH

And that old copybook maxim, "Honesty is the best policy," seems about to stage a comeback.
—St. Louis POST-DISPATCH

"What will remove a red ink stain from a white tablecloth?" asks a correspondent in a contemporary. A pair of scissors.
—London HUMORIST

In taking on banks as a sideline, Henry Ford surely will not confine himself to the closed model.
—New York TIMES

There are very few members of the British nobility in this country now. They are probably afraid of a Sir tax.
—New York HERALD-TRIBUNE

We'd be willing to wager, too, that Samuel Insull, Sr., is cordially in favor of old-age pensions.
—St. Louis POST-DISPATCH

A statesman is a man who votes to help his country; a politician is a man who votes to help himself.
—Sioux Falls DAILY ARGUS-LEADER

Probably nothing gets so complete a workout in this life as a small school-girl's first fountain-pen.
—London PUNCH

"To say that wars will never end," said Hi Ho, the sage of Chinatown, "is to aver that the nobility of men and women and the affection of children were given us in vain."
—Washington STAR

The rental agencies are all jealous of Uncle Sam, who can shift tenants in the White House and split a day between them.
—Washington POST

If prosperity is just around the corner, why keep the traffic light set against it?
—New York HERALD-TRIBUNE

Generosity is the flower of justice.
—Hawthorne

One group of persons with nothing better to do recently got into a violent controversy, the question being whether the jig-saw puzzle was the outgrowth of technocracy or vice versa.
—New York SUN

The purification of politics is an iridescent dream.
—John James Ingalls

To be conscious that you are ignorant is a great step to knowledge.
—Disraeli

PRONUNCIATIONS: Laski (lass'kee), Cermak (sir'mak—a as in hat), Chengteh (cheng-tah).

Nation's Banks Closed by Roosevelt to Protect Depositors From Panic

(Concluded from page 1)

pose whatever. By this presidential decree, the United States has temporarily suspended gold payments. During the period of its effectiveness, people will not be able to take their paper money to the treasury and convert it into gold coin or bullion.

Causes of Panic

Primarily, this drastic action was taken to meet two definite threats. In the first place, it was designed to put an immediate end to the widespread hoarding on the part of American citizens; and secondly, it was intended to curb the drain on the national gold supply by foreigners who, in a state of alarm and uneasiness, had been converting their dollars into gold. For several weeks, confidence in the solvency of our banks had been tottering. People, having already experienced a wave of bank failures during the last three years of depression, rushed to the banks and drew out their money. Many of them even went so far as to convert all their currency into gold lest their paper money depreciate in value. Reports of such conditions soon reached foreign lands and people there began to fear that the dollar would fall in value as the German mark and the French franc had done after the war. Consequently, those foreigners who held American bonds and other securities began to sell them, thus causing a flow of gold from the shores of this country.

This situation created an emergency at first localized in certain states but later spreading to national proportions. The governors knew that if immediate restrictions were not imposed, the banks would be forced to the wall because the withdrawals had become so heavy. After conferring with banking officials they decided that the only way to meet the crisis and to protect the millions of people whose entire savings were in the hands of the banks was to prevent further withdrawals. When President Roosevelt stepped in with his proclamation of a national holiday, the same motives prevailed. It was a precautionary step designed to prevent bankruptcies and protect depositors.

Past Crises

Banking crises such as the one through which the country is now passing are not new in our history. In fact, the unusual feature about the present depression is that the bank panic has developed at such a late stage. In the past, crises have come

much earlier. The depression of 1873 was ushered in on the wings of such a panic. Within a few weeks after two large New York business houses had failed, runs started on almost every bank in the country. The New York Stock Exchange was obliged to close for ten days; many of the banks closed their doors for a limited period and others restricted the amount of money paid out to depositors as they have done in the present case. Reports very much like those which have been circulating during the last few weeks were common in September of 1873 as word came from Indianapolis that "the clearing house adopts suspension of currency payments for two days," and from Newport that "banks here suspended currency payments."

Twenty years later, similar conditions prevailed throughout the country. After a collapse of prices on the stock market, a wave of bank failures surged in every section of the country. Fear and apprehension on the part of the people led to runs and hoarding and most of the nation's banks were obliged to suspend payments. This all happened in the early stages of a depression which lasted for several years. The same thing occurred in the "money panic" of 1907 when every bank in the nation ceased to carry on its normal operations.

The present situation, inconvenient as it is to many individuals and businesses, does not mean that the financial structure of the nation is on the verge of a catastrophic collapse. While it is true that a number of banks may have been actually in an unsound position prior to the declaration of the moratorium, the majority of them are solid. But even so, conditions such as those with which they were confronted made action imperative. The very principle upon which our banking system, or any other banking system, is founded makes it impossible for any bank to meet demands for cash from all its depositors at the same time. No bank keeps sufficient cash in its drawers to supply such demands. Banks exist only by lending a part of their depositors' money out at interest, keeping on hand only enough to meet the normal demands of business. They lend the money to business concerns for the purchase of materials, accepting notes, or promises to pay in 30, 60, or 90 days the principal and interest. They buy bonds and mortgages many of which do not mature for several years. Thus, a

large share of the depositors' money is always tied up in loans of one kind or another.

But when people become uneasy and wish to withdraw their money, the banks are placed in an awkward position. They must either call in their loans in order to raise the funds or borrow money from outside sources. And when the spirit of panic seizes the people, there is little that the banks can do about it because they cannot raise enough ready cash to meet the heavy withdrawals. This is exactly what has happened in the present emergency.

Present Difficulties

As we have seen, the depression which began in 1929 differed greatly from former depressions in that it was not preceded or accompanied in its early stages by a banking crisis. On the contrary, the banking difficulties developed in an acute way only after the depression had continued for virtually two years, or when the government stepped in in October, 1931, and organized the National Credit Corporation to ease the strain of heavy withdrawals. The reason why a banking crisis did not develop at the beginning is to be found in the improvement of our banking organization as compared with the pre-war period.

Before the establishment of the Federal Reserve System in 1913, which mobilizes our gold reserves—that is, places a portion of all banks' reserves in a common reservoir—the ability of any particular bank to meet the demands of depositors for cash was dependent almost entirely upon its own resources. To some extent, it might borrow from another bank, or draw checks against deposit accounts of its own held in other banks, or it might sell some of the securities held in its own vaults. But there was no mechanism whereby it could go to a central institution—a bankers' bank—for assistance in case of need. In consequence, when a critical situation developed, some banks found themselves in immediate difficulties in meeting cash withdrawals. And as soon as some banks were forced to suspend specie payments, all banks of a given community were likely quickly to have to make suspensions.

Federal Reserve Role

Thanks to the Federal Reserve System, when the depression began in 1929 most banks experienced no difficulty whatever in meeting any demands which they were called upon to meet. They had plenty of securities and customers' notes which could be used as a basis of borrowing from the Federal Reserve.

In due course, however, as has become all too painfully evident, a large number of banks have been forced to the wall—many of them because of outright insolvency, but also a good many because of mere temporary inability to meet heavy withdrawals of cash.

The major question which we must now answer is why two or three years after the



© Ewing Galloway

THE SMALL, MODEST BANK OF THE RURAL SECTIONS

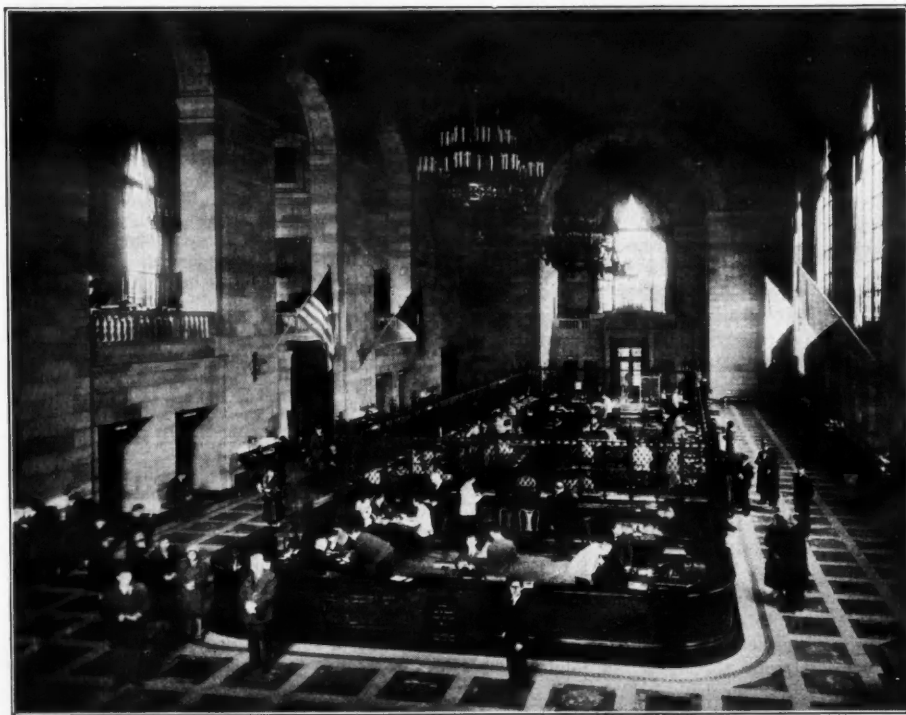
depression began we should have such widespread banking difficulties. Why are the Federal Reserve System and the Reconstruction Finance Corporation apparently unable to solve the problem?

The explanation of this is twofold: First, the worse the depression becomes the more difficulty banks have in collecting loans when they mature—and also in protecting their security holdings. It must not be forgotten, as we have already pointed out, that banks, if they are to remain in business, must be able to lend money at interest to business enterprises. Some banks have unwisely concentrated their loans and investments in particular types of enterprise, such as agriculture or city real estate, or in connection with particular industries. Acute depression in these fields, and, in some instances, the failure of important business concerns, have caused the banks such heavy losses that they can no longer meet their obligations to depositors.

Limitations

The second difficulty, already alluded to, is the pressure exerted upon the banking institutions generally by people who desire to hoard cash. When a bank is asked to pay out unusual sums to depositors at a time when their own assets are "frozen," that is, temporarily uncollectible, the bank is up against the impossible unless it can obtain aid. In many cases, it can no longer borrow from the Federal Reserve or from the Reconstruction Finance Corporation because its own collateral—bonds, or other credit instruments—which is required as the basis for such loans, has become inadequate. In other words, a bank finally gets into the same situation that an individual is in when his collateral is no longer sufficient to permit him to borrow. Under these circumstances, the bank has no alternative other than to suspend.

As this is written, it is too early to say what immediate steps will be taken to cope with the situation. Apparently the treasury or the Federal Reserve banks will issue certificates, or scrip, which will be used as money. Thus, during the emergency, business will be carried on and a complete halting of our economic processes will not take place. Meanwhile, government and bank officials will work out a program by which the banks may resume their normal operations at the earliest possible date. The greatest factor in surmounting the crisis is the psychology of the people themselves. Once the people understand that the drastic steps resorted to were for their own protection and that the financial structure of the country is not going to pieces, confidence will return.



© Ewing Galloway

THE LARGE, PALATIAL BANK OF THE GREAT CITIES.